USAID
FROM THE AMERICAN PEOPLE

FACT SHEET

Cargo Preference

An increase in the Cargo Preference requirement to 75 percent would cause millions of vulnerable children and adults to lose access to lifesaving food assistance around the world.

- A return to Cargo Preference at 75 percent would seriously harm humanitarian food aid programs. This change would increase ocean freight transportation costs for USAID's Food for Peace program by **an estimated $40 million per year.**[i]

- Increasing transport costs by $40 million will result in tens of thousands of fewer tons of food aid shipped to respond to emergencies around the world. As a result, **more than one million fewer people** in need of lifesaving emergency food aid could be reached.

- Reimbursements to USAID and USDA for excess ocean freight expenses were eliminated through the Budget Act of 2013. The loss of these reimbursements, valued at approximately $75 million per year by the Congressional Budget Office in 2013[ii], further reduced the U.S. Government's ability to reach people with lifesaving aid.

- At a time when we are faced with four "Level Three" humanitarian crises in Syria, South Sudan, Yemen and Iraq, in addition to growing humanitarian impacts of El Nino, an increase in cargo preference would jeopardize our ability to provide life-saving assistance to millions of children and adults who are facing dire conditions due to conflict and natural disaster.

- The proposed increase in cargo preference change would offset much of the recent gains achieved through the 2014 Farm Bill to improve the efficiency of food aid programs by allowing for the near elimination of monetization and an increase in the use of local and regional procurement, food vouchers and cash transfers.

- Over the last six decades, the Food for Peace program has provided life-saving food assistance to more than three billion people in 150 countries around the world. The ability of the U.S. Government to feed people in crisis, however, has declined substantially over the past decade. Mostly due to sharp increases in the costs of procuring and delivering food, the amount of commodities that U.S. Food for Peace Title II programs shipped has declined from two million metric tons in 2002 to less than one million metric tons in 2014.

- **What is the Cargo Preference requirement?**
  Under Cargo Preference laws, at least 50 percent of the gross tonnage of most U.S. government civilian agencies' generated cargo must be transported on privately owned, U.S.-flag commercial vessels to the extent such vessels are available at fair and reasonable rates.

- **Is this a new debate?**
  No. Only 50 percent of food aid was subject to Cargo Preference until 1985 at which point the rate was increased to 75 percent.

  Beginning in 1985, cargo preference was raised to 75 percent but the legislation was not intended to reduce food aid levels and required the costs to be at least partially offset by Maritime Administration reimbursements to USAID and USDA for certain excess freight costs for their international food aid programs.

  In July 2012, the Moving Ahead for Progress in the 21st Century Act (MAP-21) reduced the requirement back to 50 percent required by most other civilian agencies but retained most of the reimbursements. The Bipartisan Budget Act of 2013 eliminated all ocean freight reimbursements to USAID and USDA, leaving the agencies to bear the full costs of the requirements of the cargo preference law.

- **How will this affect the U.S. maritime industry?**

  U.S. food aid represents a small percentage of the overall U.S. Maritime industry. Recognizing changes in the overall Maritime industry, MARAD is currently developing a National Maritime Strategy that will consider a comprehensive range of actions to preserve and grow all aspects of the U.S. Merchant Marine. In addition, Congress provides support for a trained mariner reserve through the Maritime Security Program which provides annual stipends for commercially viable, militarily useful, privately owned U.S. flagged vessels. Further, the Jones Act, which applies to goods shipped between U.S. ports, requires 100 percent of those goods to be transported on U.S. flagged carriers with U.S. mariner crews and coastwise trade has been growing in some sectors.

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[i] *This updated estimate of the additional costs associated with increasing the cargo preference requirement from 50 percent to 75 percent is lower than previous estimates due to recent decreases in ocean freight rates and decreases in overall tonnage of food assistance shipped overseas. This estimate also does not include any cost increases that might be incurred by USDA as the result of the proposed increase in the cargo preference requirement.*

[ii] *http://www.cbo.gov/sites/default/files/cbofiles/attachments/Bipartisan%20Budget%20Act%20of%202013.pdf*